MCDADE. They will both be missed, and I wish them success in their future endeavors.

INTERNET TAX FREEDOM ACT

SPEECH OF

HON. CHRISTOPHER COX

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 22, 1998

Mr. COX of California. Mr. Speaker, even prior to recent changes which enabled the Internet Tax Freedom Act to be endorsed by the National Associated of Governors, National Conference of State Legislatures, and other state and local government groups, the bill had already been endorsed by a number of prominent individual Governors, State lawmakers, State Treasurers and tax collectors.

I'd particularly like to single out for thanks the support of California Gov. Pete Wilson, New York Gov. George Pataki, Massachusetts Gov. Paul Cellucci, Virginia Gov. Jim Gilmore, former Massachusetts Gov. Bill Weld, former Virginia Gov. George Allen, California Board of Equalization Chairman Dean Andal, former Federation of Tax Administrators president Ernie Dronenburg, Ohio Treasurer Ken Blackwell, Utah Senate Democrat Leader Scott Howell, and Maryland House Republican Leader Martha Klima. (Attachment # 1).

The Internet Tax Freedom Act is strongly supported by President Clinton, who endorsed the legislation in February 1998 in a speech to high-tech executives. The legislation is also supported by the U.S. Treasury Department, which endorsed the legislation in May 1997 in testimony before Congress. I'd like to insert into the Record the following letter of support form the Deputy Secretary of the Treasury, the Honorable Lawrence H. Summers. (Attachment # 2).

In addition to significant support from prominent stated officials and President Clinton, the Internet Tax Freedom Act has also garnered support from a broad and diverse coalition of individuals and organizations, consumer and taxpayer advocates, and service and trade associations representing businesses involved in the Internet community. I'd like to ask that several letters of support from these individuals and organizations be placed in the RECORD. (Attachment # 3).

STATEMENTS OF PROMINENT STATE LAWMAKERS AND OFFICIALS WHO SUPPORT THE INTERNET TAX FREEDOM ACT

VA Gov. Jim Gilmore: ''Virginia's Internet community is a thriving forum for commercial innovation and entrepreneurship. Now is not the time to tax the infant but promising marketplace of electronic commerce. Virginia must foster the economic growth of the Internet rather than thwart it with a state-by-state patchwork of burdensome tax policies.''

CA Gov. Pete Wilson: ''The Internet is a newly emerging business tool that holds great promise for commercial uses, and your bill will ensure that the Internet industry will have a chance to develop without the market distortions caused by a haphazard tax structure. Without that protection, countless potential businesses will never have the opportunity to succeed.''

Former Federation of Tax Administrators President Ernie Dronenburg: ''I am confident that the Internet Tax Freedom Act's federally-imposed hiatus will create a unified and concerted effort ultimately leading to a fair solution for states and localities, the Internet industry and their customers. The dramatic growth in the Internet industry requires that action on this legislation should occur sooner rather that later.''

CA Tax Board Chairman Dean Andal: ''Instead of applying traditional legal concepts to the taxation of electronic commerce, state tax bureaucrats are becoming legal contortionists in an attempt to tax Internet sales. The resulting confusion among prospective Internet merchants and service providers could substantially impede the development of Internet commerce. Congress must act, as it should have long ago, to clearly identify the boundaries of state taxation of interstate commerce.''

NY Gov. George Pataki: ''New York's efforts alone are not enough. There must be a national effort to protect the Internet from a myriad of new taxes and reporting requirements that would hurt the development of the whole industry and the jobs that go with it. Ordinarily such taxes would be within the jurisdiction of the states. Since the Internet does not respect traditional geographic borders, Congressional action that would have a beneficial effect on the development of on-line commerce in both New York State and the nation is justified and desirable.''

Former VA Gov. George Allen: ''The moratorium on Internet taxation called for by this legislation has the potential to boost the long-term growth and utilization of this technology tool in Virginia and across the nation. As a strong supporter of the Constitution's rich federalist tradition and a firm believer in common-sense Jeffersonian conservative principles, I recognize the apparent tension created by this legislation between the important principles of lower taxes and State sovereignty. I firmly believe, however, that the proper balance exists in this bill between these two seemingly distinct ideals.''

Former MA Gov. Bill Weld: ''The real threat to Massachusetts' future economic health is the taxing power of hundreds of jurisdictions who are thinking only of maximizing their tax revenue and not considering the creative energy and potential of the Internet. The Congress has a constitutional obligation to assess the various threats to the nation's interstate commerce.''

MD House of Delegates Republican leader Martha Klima: ''States' rights are enormously protested by many of us in the state legislatures, but I hope that in this instance, you help protect us from ourselves and require a satisfactory moratorium prohibiting state and local governments from various forms of taxation.''

UT Senate Democrat leader Scott Howell: ''A national moratorium is consistent with efforts in several states to discourage precipitous Internet taxation by local governments. We also believe that the consultative approach is a sensible way to provide breathing room to form a federal-state and international consensus on Internet policies. We understand that eventually there may be sufficient commerce taking place on the Internet to be considered as a source of tax revenues for states, but that level of activity still lies several years in the future. In the meantime, we think it is necessary for federal, state, local, and even international policy makers to develop broadly-agreed-to comprehensive policy.''

THE DEPUTY SECRETARY OF THE TREASURY,
Washington, June 23, 1998.

Hon. NEWT GINGRICH,
Speaker of the House, U.S. House of Representatives, Washington, DC.

DEAR MR. SPEAKER: As the House prepares to consider H.R. 4105, the Internet Tax Freedom Act, I welcome the opportunity to share the Administration's views on this important legislation.

The Administration strongly supports a temporary and appropriate moratorium on taxation of the Internet and electronic commerce. The dramatic growth of the Internet and electronic commerce is creating jobs and economic growth, expanding customer choice, and making U.S. firms more competitive in global markets. We would not want duplicative, discriminatory or inappropriate taxation by 30,000 different state and local tax jurisdictions to stunt the development of what President Clinton has called ''the most promising new economic opportunity in decades.'' Thus, any taxation of the Internet and electronic commerce must be clear, consistent, neutral, and non-discriminatory.

At the same time, we must not allow the Internet to become a tax haven that drains the sales tax and other revenues that our states and cities need to educate our children and keep our streets safe. In conjunction with this moratorium, we need to establish a commission that will explore the longer-term tax issues raised by electronic commerce, and develop a policy framework that is fair to states and localities while allowing the Internet to earn its fair place in the ever-changing business world.

The Administration strongly urges the House to act now to pass this legislation as we work to accomplish these two goals. The Administration will have suggestions for improving the bill, but we believe that any outstanding issues can be resolved in a House-Senate conference.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely,

LAWRENCE H. SUMMERS.

CHAMBER OF COMMERCE,
June 23, 1998.

Hon. CHRISTOPHER COX,
U.S. House of Representatives, Washington, DC.

DEAR REPRESENTATIVE COX: On behalf of the U.S. Chamber of Commerce, the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region, we urge you to support the Internet Tax Freedom Act when it comes before the House floor.

The U.S. Chamber views the successful development of electronic commerce as essential to the future health of American business. Today's patchwork of state and local taxes on the Internet interferes with the free flow of electronic commerce and, if current trends continue, will reduce the potential of the Internet as a new frontier for commerce. The Internet Tax Freedom Act's moratorium on state and local taxes on the Internet or interactive computer services, will ease the burden on electronic commerce.

Passage of the Internet Tax Freedom Act would compliment well the Senate companion bill, S. 442, which has a six-year moratorium on all existing and future taxes on electronic commerce. Making the Internet more accessible for small business owners is a major concern for the U.S. Chamber and we may consider using this vote in our annual How They Voted vote ratings.

The U.S. Chamber commends the House on its efforts concerning this issue, and pledges to continue working with both Houses of Congress to enact this landmark legislation. Successful passage of the Internet Tax Freedom Act will be critical for the future of electronic commerce and for the future of private enterprise.

Sincerely,

R. BRUCE JOSTEN.

CITIZENS AGAINST GOVERNMENT WASTE

PORK CHOPS

TALKING POINTS ON WASTE ISSUES BEFORE THE 105TH CONGRESS

THE INTERNET TAX MORATORIUM ACT (H.R. 3529) ''ESTABLISHING A NATIONAL POLICY AGAINST TAXING INFORMATION''

On June 17, the House Judiciary Committee approved the Internet Tax Freedom Act (H.R. 3529), a bill that imposes a three-year moratorium on new taxes targeted at Internet users. Rep. Chris Cox R–Calif.), a sponsor of the legislation, praised the committee action, stating: ''We are one step closer to establishing a national policy against taxing information.''

Electronic commerce is a rapidly growing industry. One-third of all Internet users bought products online within the last year. Commerce on the Internet is expected to grow to $327 billion by 2002 if undue regulation is not imposed, according to Forrester Research Inc., a Massachusetts consulting firm.

More and more businesses are offering their services over the Net—more than 25 percent of all small businesses have already established an Internet presence, according to one survey. Online stores, such as Amazon.com and Dell Computer, are finding out that they can build real businesses selling products online. Total Web-related revenues generated $24 billion in 1997, nearly double the amount from the previous year.

Total Web-related revenues are projected to reach $1 trillion by 2000, according to one industry analysis. Others, including the accounting form of Arthur Andersen, have put this figure between $150 and $600 billion. In 1996, the U.S. Treasury Department projected more conservative online revenues of $70 billion by 2000.

A KPMG Peat Marwick survey found that more than half of participating financial executives responded that ambiguous state and local tax laws are already inhibiting their involvement in electronic commerce. An alarming 20 percent of executives were so confused by the tax situation that they did not know if their companies were even subject to sales and transaction taxes for the sale of products over the Internet.

The Internet Tax Freedom Act provides for tax-free Internet access and prohibits state and local governments from imposing taxes on Internet access charges. Taxes on Internet access, online services, and ''bit taxes'' are expressly banned for three years.

The Internet Tax Freedom Act prevents multiple or discriminatory taxes on the Internet and protects consumers and vendors who buy and sell over the information Superhighway.

THE INTERNET TAX FAIRNESS COALITION,
June 23, 1998.

DEAR MEMBER OF CONGRESS: Today, H.R. 4105, the Internet Tax Freedom Act, will be brought to the floor of the House. We urge your support of this important legislation.

As you know, the Internet Tax Freedom Act (ITFA) would place a temporary moratorium on taxation of Internet access and discriminatory taxation of electronic commerce. This ''time-out'' will enable consumers, businesses, and local governments to establish fair and non-discriminatory rules-of-the-road for the taxation of Internet commerce—rules that will allow e-commerce to flourish both at home and abroad. The members of our coalition feel this bill is essential if America is to realize the full potential of the Internet and electronic commerce. The alternative, which we have begun to glimpse in the past two years, is a rush by numerous state and local authorities to tax this exciting new medium, leaving consumers confused or disadvantaged, and online businesses facing a host of overlapping and discriminatory tax demands.

The Internet is changing the way Americans interact, shop, do business and learn. By enacting the ITFA, Congress would ensure millions of citizens that their use of the Internet will not be stifled by overreaching or unfair taxation.

The ITFA was reported out of both the Commerce and Judiciary Committees without dissent, and enjoys strong, bipartisan support. We hope you will lend it your support, as well, when H.R. 4105 is considered today on the House floor.

The Internet Tax Fairness Coalition (www.stopnettax.org) is a coalition of leading Internet and high-tech companies and trade associations that supports the fair and equitable tax treatment of the Internet and online services. The Coalition believes Congressional action is necessary to implement a moratorium to address Internet-related tax issues.

Sincerely,

THE INTERNET TAX FAIRNESS COALITION.

MEMBERS

America Online, Inc., American Electronics Association, American Hotel & Motel Association, American Society of Association Executives, Americans for Tax Reform, Association of Online Professionals, Business Software Alliance, California Internet Industry Alliance, Charles Schwab & Co., Inc., Citizens for a Sound Economy, CommerceNet, Commercial Internet Exchange, Computer Software Industry Association, Computer Technology Industry Association, DCI, Frontiers for Freedom, Hewlett Packard, IBM, Information Industry Association, Information Technology Association of America, Interactive Services Association, International Mass Retail Association, Microsoft Corporation, National Association of Realtors, National Retail Federation, NCR Corporation, Securities Industry Association, Silicon Valley Software Industry Coalition, Software Forum, Software Publishers Association, Ticketmaster, US Chamber of Commerce, US Internet Council, US West.

JUNE 23, 1998.

Hon. CHRISTOPHER COX,
The U.S. Capitol, Washington, DC.

DEAR REPRESENTATIVE COX: Congratulations on your efforts to prevent unfair taxation of the Internet.

The Internet and the development of electronic commerce present difficult policy questions in areas as diverse as tax, privacy, liability and telecommunications regulation. However, we believe it is best to adhere to time-tested principles like consumer choice, deregulation and competition. We believe that tax policy should not discriminate against electronic commerce.

We have long believed that lower taxes and a smaller government are keys to a successful and healthy economy. American consumers and retailers are benefiting as a part of the marketplace becomes electronic: the Internet provides more consumer choice and is a growing market for consumers from around the world.

The laws that you create must be neutral and consistent. Stated another way, government ought not choose one technology over another or one type of transaction over another, and consumers should know what to expect of our laws.

Again, we commend your efforts to ensure a neutral and consistent tax policy that will not hamper development of electronic commerce.

Sincerely,

Grover G. Norquist, President, Americans for Tax Reform. James L. Gattuso, Vice President, The Competitive Enterprise Institute. Paul Beckner, President, Citizens for a Sound Economy. Thomas Duesterberg, The Hudson Institute.

THE SAVINGS AND INVESTMENT RELIEF ACT OF 1998

HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 25, 1998

Mr. SOLOMON. Mr. Speaker, I rise today to introduce H.R. 4120, the Savings and Investment Relief Act of 1998. This legislation would provide relief to every American who invests in the stock market. Fortunately, Mr. Speaker, in this day and age, the stock market is no longer the sole province of the rich and the elite. Our capital markets, which are the most liquid and efficient in the world, are accessible to virtually every American. In fact, as of 1995, nearly half of all households in America owned stock, either individually, in a mutual fund or through a pension plan. However, I suspect that many of these Americans do not know that they are subject to a tax every time they—or their pension plan or mutual fund—sell stock. This tax yields the government hundreds of millions of dollars in revenue each year. This is in addition to the income taxes and capital gains taxes which Americans are already paying.

Under our securities laws, the Securities and Exchange Commission (SEC) collects transaction fees on sales of stocks. These fees were originally designed solely to fund the SEC's regulation and supervision of the securities markets. The SEC's role in protecting investors is critical, and the hardworking members of the Commission and its staff should be commended for the good job that they do. However, the SEC is now collecting transaction fees far in excess of what it needs to carry out these functions, transforming what was intended to be a user fee with a specific purpose into a huge, general tax.

When Congress enacted the National Securities Markets Improvement Act of 1996 (NSMIA), we intended to bring total SEC fee collections, which had already grown to significantly exceed the Commission's budget, more in line with its costs. However, in fiscal year 1997, total SEC collections actually grew to 324% of its appropriated budget authority, and 382% of its requested budget. Frankly, Mr. Speaker, this situation is ridiculous and it must be addressed. We talk a lot on this floor about common sense government and about putting money back in the pockets of the ordinary, hardworking Americans. The legislation I am introducing today would accomplish both of these objectives.

Mr. Speaker, my bill is really very simple. It would cap annual collections of transaction